# SPARTON RESOURCES INC.
# For the periods ended March 31, 2016

## Management's Discussion and Analysis dated May 30, 2016

The following discussion and analysis of results of operations of Sparton Resources Inc. ("Sparton" or the "Company") and its subsidiaries for the period ended March 31, 2016 should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended March 31, 2016 and the audited consolidated financial statements of the Company for the year ended December 31, 2015 and the MD&A for the year 2015, all of which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with IAS 34, Interim Financial Reporting. All currency is shown in Canadian dollars unless otherwise stated. The Company's active subsidiaries are comprised of Sparton International Holdings Inc. (100%), and VanSpar Mining Inc. (90.42%) ("VanSpar"), both are registered in the British Virgin Islands. Jiujiang Sparton Vanadium Tech and Trade Company ("JJ Sparton") is 90% owned by VanSpar and registered in China as its operating subsidiary. Edcor Drilling Services Inc. (100% owned subsidiary), is registered in Ontario, Canada.

### Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Forward-looking statements include, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of its management with respect to future events and are subject to a variety of inherent risks, uncertainties and other facts which are beyond the Company's control, and could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reasons, except as required by applicable Canadian securities law. Investors and others should carefully consider these and other factors and not place undue reliance on these forward looking statements.

## General

The Company continues to seek financing for its various vanadium related projects and evaluate other opportunities related to the mineral exploration and energy storage industries.

On August 28, 2015 the Company's subsidiary JJ Sparton executed an Agreement for Services with a PRC based private company (the Client) to fund the commissioning one of the world's largest vanadium flow batteries. According to the Agreement, JJ Sparton will provide up to the sum of RMB 3 million ($639,300) to complete all work as planned under the Agreement. According to the Agreement, once the commissioning work is completed, the test protocol successfully carried out, certain reports submitted, and the owner of the battery, that is the State Grid North China Company Ltd. ("SG"), approves the completion of commissioning, A payment which is expected to be up to RMB16.44 million ($3,503,364) will become payable by SG to JJ Sparton's Client, and 3 payments of up to RMB5.48 million ($1,116,788) would be paid by SG to JJ Sparton's Client on each annual anniversary after the completion date of the commissioning under a maintenance protocol for the battery. These payments will be net of expenses taken by the Client, and net of some liabilities of the Client before the money left for paying JJ Sparton. As the value of these expenses and the Client's liabilities is unknown, and therefore the recoverability is uncertain, all the incurred costs were written off. JJ Sparton had incurred $307,144 (RMB1,510,047) before December 31, 2015 and $64,669 in the three months in 2016 in commissioning costs and announced it had substantially completed the preparatory work and that the battery was ready for commissioning. The battery was tested and inspected by SG for approval in 2016.

Management is continuing to pursue a series of initiatives intended to address the current working capital deficiency and reduce operating overheads.

**Contract Drilling Business**

Revenue and expenses relating to one of the drill units is shared with Eva Lake Mining Ltd., an aboriginal Metis service company, based in Atikokan Ontario.

For the three months in 2016 the Company reported $nil drilling revenue (2015 - $91,875 with a gross margin of $15,889).

The Company is actively seeking new clients for EDCOR.

**VanSpar and Xiushui, Jiangxi Vanadium projects**

In 2011, VanSpar was mandated as the exclusive consolidator of vanadium projects in the Xiushui area by the local government. The evaluation of the several nearby vanadium opportunities in Jiangxi Province, China continued through the year 2012 by VanSpar Mining Inc. ("VanSpar"), a B.V.I. subsidiary company, and its local operating subsidiary JJ Sparton. The vanadium opportunities evaluated included the Guojiaping, Rentian, Dong Du and Da Chun projects. All of the vanadium deposits in the area appear to be amenable to simple open pit mining with a very low strip ratio. Additional drilling can expand the "resources" of these defined deposits relatively easily and bring them to a higher level of reliability.

In 2011, the Company prepaid $484,800 (RMB 3 million) for the acquisition of the Rentian Mining Company assets, including the Quankeng Mining Licence and its vanadium production plant infrastructure. In 2012 the Company took legal action against Rentian for falsifying due diligence information about its assets in order to recover the prepayment and a positive court judgement against Rentian in favor of the Company was received in the third quarter of 2012. See Note 9 to the December 31, 2015 audited consolidated financial statements. On the basis of the court judgement the Company is now a secured creditor of Rentian and will seek to resolve the collection for the payment as the project moves forward.

VanSpar also entered into a Preliminary Agreement for the purchase of an 89% interest in the Dong Du licence, subject to positive due diligence studies. VanSpar had not concluded final agreements for the acquisition of any of the vanadium properties as of March 31, 2016.

Vanadium prices have dropped somewhat from previous highs due to softer steel markets, but at current vanadium pentoxide ($V_2O_5$) prices of about US$4.00 per pound for standard grade material, management believes this project represents a significant opportunity with strong growth potential for the Company and strategic investors or partners. High purity $V_2O_5$ sells for substantially higher prices and is the quality of material which would be produced from the Xiushui deposits. Investigations are continuing for other vanadium acquisitions in the general Xiushui project area. Discussions are continuing with interested parties for senior VanSpar financing. As various international economies recover, vanadium prices and demand are expected to recover to pre-recession levels.

Very significant new vanadium demand in the Vanadium flow battery industry continues to develop with several new large installations for renewable energy storage commissioned and operating successfully in 2012 and 2013. VanSpar is developing relationships with battery manufacturers with the objective of securing off take agreements for high purity vanadium products necessary for manufacturing these types of batteries, and believes that he unique properties of the Xiushui area deposits make them ideal for low cost and high quality vanadium product production. Company management continues to seek investment partners to acquire and develop the Xiushui deposits. It is developing relationships with organizations in the vanadium related energy storage industry as battery manufacturers that could be end product users for its vanadium product production.

**Vanadium Flow Battery Commissioning Program**

The opportunity for VanSpar to enter into a contract to fund the commissioning one of the world's largest vanadium redox flow batteries arose through a past relationship with the battery manufacturer as a possible client for vanadium product sales from the Xiushui deposits. This battery is located in Hebei Province, China, approximately 180 km north of downtown Beijing, where it was recently installed for the PRC North State Grid Company ("SG") as part of the Zhangbei renewable energy and storage program. The Zhangbei Project is in proximity to the site of the Beijing 2022 Winter Olympics, near Zhangjiakou, in Hebei Province, China. It is the world's largest renewable energy utilization platform, integrating wind power, solar power, energy storage, and smart grid transmission technologies. Clean power generated by this project will be integrated into north China's energy grid operated by State Grid.

As China's largest wind and solar energy electricity generation and storage installation, it supports the storage and release of clean electricity into the power grid in an efficient and controlled manner. The project was jointly launched in May 2010 by the Ministry of Finance, the Ministry of Science and Technology, the National Energy Bureau, and State Grid. It is a key component of China's Golden Sun Photo Voltaic Solar Pilot Project. It currently includes 500 megawatts of wind power and 100 megawatts of solar power, with 110 megawatts of energy storage capacity, and covers a total land area of 200 square kilometers. Expansion plans for both electricity generation from wind and solar sources, and additional energy storage capacity have been recently announced. With a total investment of 12 billion RMB (approximately US$1.8 billion), upon completion, it will be China's largest grid integration photo voltaic solar power generation station and its largest land-based wind farm in unit capacity, as well as the world's largest chemical energy storage station.

The project represents state of art installations for all its various components and will integrate the world's largest number of different operational technologies in a single new energy project. JJ Sparton has the commissioning contract with the builder of the battery. Additional financing efforts by VanSpar are continuing concurrently with the commissioning and ongoing maintenance programs for the battery.

On August 28, 2015, the Company's subsidiary, JJ Sparton, executed an agreement for services with a PRC based private company relating to the commissioning of the Zhangbei Project's 8 megawatt hour vanadium flow battery. Pursuant to the agreement, JJ Sparton is to provide up to RMB 3 million ($639,300) to complete all work specified in the agreement. Funds raised by VanSpar have been advanced to JJ Sparton.

In 2015 the commissioning work was completed, and the test protocol successfully carried out.
Test reports were submitted in early 2016, and the owner of the battery, SG accepted and acknowledged that the battery met design criteria. A payment, expected to be up to RMB15.265 million ($3,011,000) will become payable by SG to JJ Sparton's client. After certain deductions relating to pre-existing client liabilities are approved under a court supervised process, the balance is to be paid by the client to JJ Sparton. At the end of the year 2015 the pre-existing client liabilities were estimated to be approximately $2.76 million. As the exact amount of the client liability deductions is unknown, and the precise amounts payable at each step of the process are undetermined at this time, and therefore the recoverability of the expenditure is uncertain, all the incurred costs were written off. The agreement for services also provides for 3 additional maintenance payments of up to RMB5.48 million ($1,116,788) each, on each anniversary after the completion of the commissioning, for the battery installation. A report detailing the future maintenance program was prepared prior to submission of the invoice for payment.

Prior to December 31, 2015, JJ Sparton had incurred $$307,144 (RMB1,510,047) in commissioning costs. In the three months in 2016 $51,655 additional costs had incurred.

**Chebucto Gas**

Sparton holds an estimated 6.5% unitized working interest in the Chebucto natural gas field, in the Sable Island area of offshore Nova Scotia. This is part of the Scotia Offshore Energy Project ("SOEP")

These include SDL 2286, part of the Chebucto gas field, in which the Company owns a 12.5 % working interest. Chebucto is located near the existing North Triumph production facilities. The SOEP supplies natural gas into the northeast seaboard areas of the United States and Canada. Sparton has owned the Chebucto interest since 1997.

There were no other new developments with Chebucto during the year 2015 and the period in 2016. In 2013 the Company has re-assessed the value of the oil and gas properties and concluded an impairment of $553,914 and written down the value of the properties to $1 due to the continuing low price of natural gas.

**Financial Highlights, Expenditures**

Total expenditures of $nil (2015 - $nil) were incurred in the period ended March 31, 2016 on the exploration and evaluation assets.

As at March 31, 2016 active projects were the VanSpar vanadium resource development program in Jiangxi China and the battery commissioning project.

**Results of Operations**

**For the three months ended March 31, 2016 and 2015**

For the period ended March 31, 2016, the Company's investing activities had a cash out-flow of $nil (2015 - $nil).

Cash flow from operating activities showed a net cash out flow totalling $ 60,576 (2015 – $12,971) in the period ended March 31, 2016. The net loss for the period in 2016 was $178,150 compared to a loss of $110,364 in the period 2015. The Company's contract drilling subsidiary, EDCOR, recorded revenue of $nil in the period in 2016 (2015 - $91,875 and a cost of drilling of $75,986). Operating expenses net of other income totalled $178,150 in the period in 2016 (2015 - $126,257). Main operating expenses include $17,939 (2015 - $26,269) general and administrative expenses, $51,655 (2015 - $nil) battery commissioning costs, $68,400 (2015 - $68,400) management and consulting fees, $12,192 (2015 - $10,610) professional fees, interest, financing costs, and bank charges expenses of $5,550 (2015 - $6,318), and other expenses.

During the period in 2016, the Company reported a total cash from financing activities of $30,000 (2015 - $nil). $20,000 (2015 - $nil) was raised from issuance of convertible debentures, $10,000 (2015 - $nil) was a loan from a director of the Company.

**(Unless otherwise stated, all amounts are in Canadian dollars)**

### Quarterly Information

The following table sets out selected quarterly financial information of Sparton and is derived from quarterly financial statements prepared by management:

| | Mar. 31, 2016 | Dec. 31, 2015 | Sept. 30, 2015 | June 30, 2015 | Mar. 31, 2015 | Dec. 31, 2014 | Sept. 30, 2014 | June 30, 2014 |
|---|---|---|---|---|---|---|---|---|
| Operating Revenue ($) | - | - | - | - | 91,875 | 33,600 | - | 130,266 |
| Total Net Loss (income) | 178,150 | 364,914 | 68,720 | 163,983 | 110,364 | (260,424) | 127,884 | 10,700 |
| Basic and Diluted Loss Per Share ($) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

### Liquidity and Financial Condition

As at March 31, 2016, Sparton had a liquidity concern. It had current assets of $22,285 (December 31, 2015 - $48,871), and a working capital deficit of $1,547,266 (December 31, 2015 - $1,388,058). Cash and marketable securities totalled $7,873 (December 31, 2015 -$40,841). Trade and other receivables were $14,512 (December 31, 2015 - $8,030). Property, plant and equipment assets were $34,741 at March 31, 2016 (December 31, 2015 - $51,605). Oil and gas properties were written down to $1. Exploration and evaluation assets were valued at $nil. Current liabilities totalled $1,569,651 at March 31, 2016 (December 31, 2015 - $1,436,929). Included in the current liability are $408,082 (December 31, 2015 - $374,709) in accounts payable and accrued liabilities, $540,000 (December 31, 2015 - $520,000) short term debts, and $621,569 (December 31, 2015 - $542,220) due to related parties.

In the three months period in 2016 the Company's subsidiary VanSpar issued $20,000 in convertible debentures (2015 - $nil) that have a term of 12 months, bear interest of 10% and convertible into common shares of VanSpar at US$0.17 at the option of the debenture holders. The convertible feature does not qualify as a fixed for fixed and as such would be classified as a liability, however the fair value of the conversion feature has been valued at a nominal amount has therefore not been separated from the debenture. The Black Scholes model was used to assess the value of the convertible feature using a range of inputs to assess the sensitivity, all outcomes were nominal.

Minority interests representing carrying value of the share interest held by minority shareholders in Sparton's subsidiary companies was a deficit of $87,016 as at March 31, 2016 (December 31, 2015 - $87,016).

### Capital Management:

The company is not subject to any capital requirements by a lending institution or regulatory body, other than the TSX Venture Exchange ("TSX-V") which requires adequate working capital or financial resources of the greater of a) $50,000 and b) the amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As of May 27th 2016, the Company may not be compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent upon the discretion of the TSX-V.

**(Unless otherwise stated, all amounts are in Canadian dollars)**

### Outstanding Share Data

Sparton's authorized capital consists of an unlimited number of common shares without par value. As at March 31, 2016 and the date of this MD&A, there were 111,375,460 common shares issued and outstanding. The following options were also outstanding as at March 31, 2016:

Options in subsidiary – 550,000 shares options of VanSpar at a price of US$0.25 expired March 22, 2016. As of May 27, 2016 there is no share option outstanding for the Company or its subsidiaries.

### Related Party Transactions

The Company's related parties consist of the following:

| Related parties | Relationship |
|---|---|
| A. Lee Barker | CEO and President; minority shareholder of VanSpar |
| Qiming Ge | Former director; minority shareholder of VanSpar |
| Richard D. Williams | Director; minority shareholder of VanSpar |
| David Brian Long | Director, minority shareholder of VanSpar |
| Oriental Sources Inc. | A company controlled by the Company's CFO |

| Due to related parties | March 31, 2016 $ | December 31, 2015 $ |
|---|---|---|
| Advances from Lee Barker (i) | 6,297 | 6,837 |
| Promissory notes and interests payable to directors (ii) | 26,414 | 16,114 |
| Due to Qiming Ge (iii) | 61,908 | 49,816 |
| Consulting fees payable to Oriental Sources Inc. (iii) | 169,600 | 152,650 |
| Consulting fees and rent payable to Lee Barker (iii) | 357,350 | 316,803 |
| Total | 621,569 | 542,220 |

(i) Mr. Barker the President of the Company made advances to the Company that bear no interest, are unsecured and due on demand. As at March 31, 2016 the balance was $6,297 (December 31, 2015 - $6,837).

(ii) In September 2013 former directors Edward Thompson and Wesley Roberts and current director Richard Williams each provided a $4,300 loan to the Company in the form of promissory notes for a total of $12,900, that bears an annual interest of 10%, is unsecured, and due on demand. In the three month period under review Richard Williams provided an additional $10,000 loan to the Company at the same terms. A total of $3,514 in interest was accrued as at March 31, 2016 (December 31, 2015 - $3,214).

**(Unless otherwise stated, all amounts are in Canadian dollars)**

(iii) Senior management and directors have not been paid for the past 2 years, except as disclosed herein. During the three months period in 2016, billings for management and consulting fees of $25,500 (2015 – $25,500) were received by the Company from a director who is also the President of the Company. $4,500 (2015 - $4,500) rent expenses was accrued for property owned by the President. Such management and consulting fees and rent were accrued but no cash was paid in the periods. $357,350 was payable to the President as at March 31, 2016 (December 31, 2014 - $316,803). $15,000 (2015 – $15,000) in management and consultant fees were billed to the Company by Charles Ge. $61,908 was payable as at March 31, 2016 (December 31, 2015 - $49,816) to Charles Ge. The Company was also billed $15,000 plus HST (2015 - $15,000) by a company controlled by the CFO of the Company for consulting fees which were recorded as management and consulting fees on the unaudited condensed interim consolidated income statement. $169,600 was payable as at March 31, 2016 (December 31, 2015 - $152,650) to the company controlled by the CFO of the Company.

(iv) A director and president of the Company subscribed for $8,000 VanSpar convertible debentures in 2015 as described in Note 7(b).

The compensation expense associated with key management and directors for employment services or similar during the period in 2016 and 2015 are as the follows:

| | 2016 | 2015 |
|---|---|---|
| Salaries, consultant fees and other benefits | $ 55,500 | $ 55,500 |
| Directors' fees | - | - |
| | $ 55,500 | $ 55,500 |

**New accounting policies:**

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures were amended by the IASB in September 2014 to eliminate an inconsistency between IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Subsequent to the amendments, a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The new standard is effective for annual periods beginning on or after January 1, 2016. The application of the standard has no impact on the Company's consolidated financial statements.

IFRS 11 Joint Arrangements was amended by the IASB in May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The new standard is effective for annual periods beginning on or after January 1, 2016. The application of the standard has no impact on the Company's consolidated financial statements.

IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The new standard is effective for annual periods beginning on or after January 1, 2016. The application of the standard has no impact on the Company's consolidated financial statements.

**Standards issued but not yet effective:**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory at certain dates or later. Management is still assessing the effects of the pronouncements on the Company. The standards impacted that may be applicable to the Company are the following:

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The new standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

**Critical Accounting Estimates and Judgements:**

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management's:

• most critical estimates and assumptions in determining the value of assets and liabilities; and

• most critical judgments in applying accounting policies.

Please refer to Note 3 to the December 31, 2015 audited consolidated financial statements for the critical accounting estimates and judgements used by management for the financial statements.

**Financial instruments and risk factors**

The Company's current major projects are the Chebucto, offshore Nova Scotia, natural gas license, the nearby North Triumph license, and the VanSpar vanadium and battery commissioning projects in China. Unless the Company acquires or develops additional project, the Company will be mainly dependent upon these projects. The Company subsidiary VanSpar's vanadium program in China may lead to acquisitions of vanadium related resource licenses there. If no additional major mineral properties are acquired by the Company, any adverse development affecting these properties would have a material adverse effect on the Company's financial condition and results of operations.

The Company's current focus on the battery commissioning project indicates if there is adverse development on this project it will adversely affect the future operation of the Company and its ability to meet its obligations and liabilities. Other risk factors and the impact on the Company's financial instruments are summarized in the Note 4 to the December 31, 2015 audited consolidated financial statements. There have been no changes in the risks, objectives, policies and procedures from the previous year. Please refer to the Note 4 to the December 31, 2015 audited consolidated financial statements of the Company for the discussions on the financial instruments the Company holds, and the risk factors and analysis.

**Off Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet arrangements.

## Corporate Governance and Management's Responsibility for Financial Statements

Management of the Company is responsible for the preparation and presentation of the annual and interim consolidated financial statements and notes thereto and the accompanying MD&A and other information contained therein. Additionally, it is management's responsibility to ensure the company complies with the laws and regulations applicable to its activities. The Company's management is accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the Company. Responsibility for the reviewing and approving of the Company's annual audited and quarterly unaudited consolidated financial statements and related MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two of whom are independent of management.

The unaudited condensed interim consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information management must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

All relevant information related to the Company is filed electronically at www.sedar.com and on the Company's website at www.spartonres.ca.

## Outlook

The opportunities by VanSpar to acquire and develop the large Xiushui County vanadium deposits in Jiangxi province, China, and the evaluation of the local refinery, fits directly into the Company's business plan to become a profitable specialty metal producer and bring new value to the shareholders through its subsidiaries. At the present time however this opportunity is difficult to move forward with the weakness in commodity markets and availability of risk capital for this sector. Connections with end product users of vanadium products in the flow battery manufacturing industry have however provided the opportunity to become involved in this industry directly through the battery commissioning project for a battery manufacturer and potential acquisition of the manufacturer.

One of the challenges for clean electricity (wind and solar) is storage. The energy storage industry has become a significant growth business with installations of clean electricity generation systems around the world. China has been particularly aggressive in this program with its movement to reduce pollution from its fossil fuel power plants. The best solution for power storage and grid distribution on a large scale appears to be the vanadium redox battery. Through our ongoing interest in vanadium, management is being provided the opportunity to be a participant in this exciting nascent global market. Various initiatives in this sector are being studied by management. The opportunity to commission the large Vanadium flow battery owned by the State Grid North China ("SG") at the Zhangbei project is a significant development and may lead to additional new transaction opportunities for the Company and its subsidiaries.

As an extension to our VanSpar's success in assisting with the commissioning program, it is pursuing the opportunity to become directly involved in this industry. Advanced due diligence and negotiations are underway, related to the possible acquisition of an international vanadium battery manufacturing group in association with strategic partners. Both of these opportunities arose out of our activities in pursuing vanadium exploration and mining opportunities in China. The vanadium exploration and mining objectives continue to be part of Sparton's long-term plans.

New financing initiatives to support all of these activities are being pursued by Company management on an ongoing basis. In a depressed market for junior resource companies, Sparton has instituted significant cost cutting measures and is actively seeking new clients for its drilling subsidiary, Edcor, as a source of revenue. New project opportunities are becoming available as competitors struggle to raise financing and these are also being evaluated.

**Events after the Reporting Period**

- On February 22, 2016 the battery commissioning was successfully implemented and was approved by SG. (Refer to Note 5 for details). As of February 22, 2016 final commissioning reports were completed and the battery was accepted for operation by SG. A work proposal for the three year maintenance program was prepared and accepted by SG invoicing has been done. As of May 27, 2016 no payments had yet been received for the commissioning work. (Refer to Note 5 to the December 31, 2015 audited consolidated financial statements of the Company).

- On April 23, 2016 a VanSpar Debenture subscription of $59,630 was received from one private investor.

- In late 2015 and early 2016 the Company, jointly with an independent consultant (as to 50% ownership each) staked a number of mineral claims (29) totalling 1388 hectares in the Wemindji diamond exploration area of Northern Quebec. Due to intense competition in the online staking of a number of these claims a random draw was held by the Quebec Ministry of Natural Resources to establish which competitor in the staking would be awarded the claims. The Company and Consultant were awarded all of the disputed claims. On May 19th the Company executed an agreement with Honey Badger Exploration Inc. where under it sold its 50 % interest in these claims for a total consideration of $5000 cash and 1,000,000 common shares of Honey Badger. The company and the Consultant will each retain a 1% Net Smelter Return Royalty on any mineral production from these claims. These royalties can be purchased at any time for a total of $1,000, 000 each. Final closing of the transaction is subject to Honey Badger receiving any necessary regulatory, and other required approvals.